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August 26, 1992
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Office of the Secretary
Federal Communications Commission
1919 M Street, N.W.
Washington, D.C. 20554

RE: CC Docket 92-77, Billed Party Preference
Reply Comments

Dear Secretary:

Enclosed please find the original and five copies of reply comments in the above referenced docket submitted jointly by Operator Service Company and US Osiris Corporation.

Questions regarding this filing may be directed to my attention at (407) 740-8575.

Respectfully,

Connie Wightman

Connie Wightman

cc: Kirk Smith, OSC
George Lebus, US Osiris

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Federal Communications Commission
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MAIL BRANCH

BEFORE THE
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554

In the Matter of	)	
	)	
Billed Party Preference	)	CC Docket 92-77
for 0+ InterLATA Calls	)	

JOINT REPLY COMMENTS OF
OPERATOR SERVICE COMPANY and US Osiris Corporation

Operator Services Company and US Osiris Corporation hereby submit joint replies to Comments filed in response to the Notice of Proposed Rulemaking ("Notice"), FCC 92-169, released May 8, 1992 in the above-referenced proceedings.

Summary

The record does not support implementation of Billed Party Preference. Contrary to the tentative conclusion of the FCC in its Notice, comments in support of Billed Party Preference fail to provide a cost/benefit analysis to justify the expense, confusion, and technical uncertainties of its implementation. Furthermore, supporting arguments for Billed Party Preference are highly conditional: implementation must be universal to be effective, an acceptable compensation mechanism must found, no phase-in approach is practical, 14 digit screening is

impractical, commercial credit cards cannot be accommodated, state regulations must be in synch with Federal requirements, etc., etc.

The cost data presented is insufficient to support a conclusion that Billed Party Preference can be feasibly implemented. Of the three interexchange carriers filing in support of Billed Party Preference, none provided an estimate of IXC costs. As indicated by AT&T, however, interexchange carrier costs of implementation are a significant factor.

Postponement or delay of clear direction from the FCC regarding Billed Party Preference will harm the industry by fostering uncertainty and encouraging companies to take disparate approaches. The FCC must therefore conclude this proceeding by finding that Billed Party Preference is not in the public interest.

The record does not support Billed Party Preference

The largest industry participants are opposed to Billed Party Preference as impractical, prohibitively expensive and technically unfeasible.[1] In fact, arguments that counsel against Billed Party Preference have created an ad hoc coalition of interests that is one of the strongest and most diverse in recent telecommunications history. Interested parties who would

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1. / AT&T, Southwestern Bell, BellSouth, NYNEX, American Hotel and Motel Association, American Public Communications Council.

otherwise disagree on virtually any other topic are united in the knowledgeable conviction that Billed Party Preference will be a disservice to the industry - and ultimately to the public.

Interestingly, several parties filed comments that neither oppose nor support Billed Party Preference.[2] However, many of these neutral comments indicated deep reservations that the cost may not be justified by the benefit. Furthermore, the supporting parties conditioned implementation on conflicting prerequisites. For example, MCI argues that customers should have the ability to select 1+ and 0+ carriers and supports 14 digit screening.[3] GTE, on the other hand, states that no 14 digit screening is technically available to support interexchange carrier issued line-based calling cards. Similarly, MasterCard and VISA support the concept of Billed Party Preference if all types of credit cards may be accepted[4], while Pacific Bell states that technical obstacles and low consumer demand do not justify including commercial credit cards.[5] These and other contradictions indicate that implementation of Billed Party Preference would be difficult and deeply contentious.

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2. / For example: OPASTCO, Southern New England Telephone, USTA, US West, Pennsylvania Public Utility Commission.

3. / MCI Comments at pages 6-8

4. / Joint comments of MasterCard and VISA at page 10.

5. / Pacific Bell comments at page 16.

Projected Costs are Astronomical and Incomplete

The data submitted identifies over $1 billion in initial investment and first year expenses.[6] Based on rough estimates of the data that was not provided, Operator Service Company and US Osiris Corporation concur with Illinois Consolidated that $2 billion is a reasonable estimate of the cost of implementation. Furthermore, no Billed Party Preference supporters attempted to estimate the cost to the economy of stranded investments, disincentives to upgrade equipment or services, lost jobs and defaulted loan commitments caused by a Billed Party Preference mandate.

Not all costs are identified or identifiable, and all cost quotes are subject to radical change. Southwestern Bell's comments call into question cost estimates of all other parties because one of its key vendors increased rates quoted by 68% just two weeks prior to the comment filing deadline.[7] It is unknown whether these price increases are reflected in the cost estimates of other local exchange carriers. A mandate by the FCC is sure to result in further price increases that cannot be predicted twelve months in advance - much less four to six years. Southwestern Bell also points out that there are 144 versions of

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6. / Commentors providing cost data include Ameritech, Bell Atlantic, BellSouth, GTE, NYNEX, Pacific Bell, Southern New England Telephone, Sprint (for the United local exchange carriers), Southwestern Bell, US West, and AT&T.

7. / Southwestern Bell at page 10

Billed Party Preference in the public record.[8] The details of the cost estimates provided to date are simply insufficient to even conduct a meaningful comparison.

Other glaring omissions indicate a lack of conviction even among supporters. Only a handful of parties attempted to provide an estimate of annual cost.[9] MCI, for example, supports Billed Party Preference but tells the Commission nothing about its implementation costs. Likewise, Sprint provides cost data for the local exchange companies under its umbrella while ignoring the implementation costs attributable to its interexchange carrier business.[10] Since AT&T estimates a $68 million price tag for its cost of implementation, other interexchange carriers must surely have at least proportionate or similar costs that have not come to light.

<u>The Public Interest is not served by Billed Party Preference</u>

Proponents fail to supply compelling evidence that the public has much to gain from Billed Party Preference. In fact, potential customer confusion and economic chaos run directly counter to the public interest.[11] By contrast, the public is well represented by the comments of BellSouth, Illinois

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8. / IBID. page 4.

9. / Ameritech, Bell Atlantic, BellSouth, GTE, NYNEX and Pacific Bell.

10. / Sprint did indicate that it would cost approximately $20 million to convert Sprint cards.

11. / See RCI, AT&T, American Hotel and Motel Association, Greater Orlando Aviation Authority.

Consolidated, and others that note that changes in the last four years obviate any consumer need for Billed Party Preference. The only data filed regarding actual consumer attitudes towards the viable alternative - access code dialing - indicate that consumers are willing and able to dial access codes.[12] Bell's research results are further validated by data obtained from locations served by US Osiris Corporation which shows that nearly 30% of all calls from its aggregator locations are access code calls. This percentage is expected to increase over time due to unblocking requirements established by this commission and extensive marketing efforts exerted by the country's largest carriers.

Most comments in support of Billed Party Preference condition any benefits on universal implementation and an acceptance by the public of multiple operators on a significant percentage of calls. The only way to prevent duplicative and wasteful dual handling is the mandatory use of LEC operators by interexchange carriers on collect calls. The most likely scenario is that overwhelming consumer resistance to dual operator handling will effectively force carriers to subcontract operator services from local exchange companies - creating yet another local exchange company monopoly.

Parties in support of Billed Party Preference are universal in their support of a mechanism for recouping costs. The bottom line is that consumers must finance implementation of Billed Party Preference and rates will go up. This obvious conclusion

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12. / BellSouth at page 9.

is further exacerbated by costs that consumers will never know were the result of a telecommunications industry change. As the state of South Carolina points out, many state budgets depend on commissions paid by telecommunications companies. Because Billed Party Preference gives transient end user's rights priority over the rights of aggregators, commissions will be eliminated. Contrary to the suggestion of Ameritech that costs would be offset by approximately $0.45 per message paid in commissions[13], aggregators' costs which are now mitigated by commissions will not go away - they will merely be subsidized by consumers or tax payers in other ways.

The FCC must decide to not implement Billed Party Preference

After repeated cries of "Wolf," the FCC may not be inclined to believe the predictions of industry participants who claim they will cease to exist if Billed Party Preference is mandated. But that is, in fact, the likely case for dozens of operator service providers and even more private pay telephone operators. The economic result of increased small business bankruptcies and lost jobs the economy cannot absorb will serve only to increase the toll for Billed Party Preference. Aggregators will not be put out of business, but their comments address specific economic interdependencies with carriers that will be difficult or impossible to replace. Regional and small interexchange carriers will not be put out of business immediately, but the decision to implement Billed Party Preference will further erode the ability

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13. / Ameritech at page 19

of these companies to compete in the marketplace. The end result to consumers is fewer choices, reduction of competitive pressures that stimulate innovation, higher costs.

No decision or a delayed decision on Billed Party Preference would be nearly as damaging to the industry and to consumers as a premature mandate. A delayed decision or a non-decision supporting the concept but not mandating implementation at this time will merely prolong the inevitable, resulting in industry turmoil until the other shoe is dropped. A hodgepodge of "solutions" could potentially be implemented (perhaps all 144 varieties) and states will attempt to proceed ahead with their own versions of Billed Party Preference regulations.

Conclusion

Judge Greene opened this topic five years ago. Bell Atlantic and Ameritech sought to make the best of the court's comments based on their visions of the future for their companies. But it is the FCC which embarked on this rulemaking and it is the FCC that must conclude, based on the record, that Billed Party Preference is not in the public interest. Contrary to the suggestions of the Michigan Public Service Commission staff, the FCC does not have a magic wand to waive away technical and financial impediments, but must understand and deal with the practical realities of today's environment while attempting to shape the future. The FCC must accept its responsibility to the economic health of the country by refusing to burden companies with counter-productive regulation. The FCC must also avoid tinkering with economic interdependencies that are natural and healthy forces in the business community.

Respectfully submitted this 27th day of August:

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